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91/20**"The Economy"****Excerpt From The
"Official Statement of the City of Boston, Massachusetts
Relating to Boston City Hospital Revenue Bonds,"****Prepared by the Boston Redevelopment Authority
Department of Policy Development & Research**

July 9, 1991

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	Ratings*	
	Insured Bonds†	Uninsured Bonds
Moody's:	Aaa	A
S&P:	AAA	A

NEW ISSUE

In the opinion of Bond Counsel, under existing law, assuming continued compliance with certain provisions of the Internal Revenue Code of 1986, as amended, interest on the Bonds will not be included in the gross income of holders of the Bonds for federal income tax purposes. Interest on the Bonds will not constitute a preference item for the purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, although interest on the Bonds will be taken into account in computing the alternative minimum tax applicable to certain corporations. In the further opinion of Bond Counsel, the Bonds and the interest thereon are exempt from taxes imposed by existing Massachusetts laws, although the Bonds and said interest may be included in the measure of estate and inheritance taxes and of certain corporate excise and franchise taxes. For federal and Massachusetts tax purposes, interest includes original issue discount allocable to the holder. See "Tax Exemption."

City of Boston, Massachusetts

\$96,155,000 General Obligation Bonds, 1991 Series A

Dated: May 15, 1991

Due: July 1, as shown below

Maturity	Principal Amount	Interest Rate	Price or Yield	Maturity	Principal Amount	Interest Rate	Price or Yield
1992	\$1,290,000	5.00%	100%	†1999	\$5,440,000	6.10%	6¼%
1993	2,905,000	5½	100	†2000	4,530,000	10.00	NRO
1994	6,080,000	5¾	5.90	†2001	4,515,000	6.30	6.45
1995	8,735,000	6.00	6.15	†2002	4,000,000	6¾	6.55
†1996	6,295,000	5.90	6.00	†2003	3,990,000	6½	6.65
†1997	9,400,000	6.00	6.10	†2004	3,980,000	6.60	6¾
†1998	9,295,000	6.10	6.20				

†\$25,700,000 6¾% Term Bonds Maturing 2011—Price 97¾%

(Accrued interest to be added)

† Payment of principal of and interest on these Bonds when due will be insured by Municipal Bond Investors Assurance Corporation. See "Bond Insurance."

The Bonds will be issued by means of a book entry system evidencing ownership and transfer of the Bonds on the records of The Depository Trust Company and its participants. Details of payment of the Bonds are set forth in this Official Statement.

Interest on the Bonds will be payable on January 1, 1992 and semiannually on each July 1 and January 1 thereafter until maturity or redemption prior to maturity. The Bonds will be subject to optional and mandatory sinking fund redemption prior to maturity as more fully described herein under "The Bonds." The Bonds will be issued for various municipal purposes, as more fully described herein under "Authorization and Purposes" and for the purpose of advance refunding certain outstanding general obligation bonds of the City, as described herein under "Plan of Refunding."

The Bonds will be general obligations of the City for the payment of the principal or redemption price of and interest on which all taxable property in the City is subject to the levy of *ad valorem* taxes without limit as more fully described herein under "Payment of and Security for the Bonds."

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds will be offered subject to prior sale, when, as and if issued by the City and accepted by the Underwriters, subject to the final approving opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel to the City, and to certain other conditions described herein. Certain legal matters will be passed upon for the Underwriters by Fitch, Wiley, Richlin & Tourse, P.C., Boston, Massachusetts. Government Finance Associates, Inc. serves as Financial Advisor to the City. It is expected that the Bonds will be available for delivery at The Depository Trust Company in New York, New York on or about June 25, 1991.

Lazard Frères & Co.

Merrill Lynch & Co.
M•R• Beal & Company

The First Boston Corporation

Pryor, McClendon, Counts & Co., Inc.
State Street Bank and Trust Company

May 30, 1991

* See "Credit Ratings."

removal. The Boston Public Library Department operates a central library, 26 neighborhood branch libraries and a service building. The Parks and Recreation Department manages and maintains approximately 2,200 acres of parkland, playgrounds and public squares, 16 historic and 3 active cemeteries, approximately 250,000 street and park trees and 16 greenhouses. The 2,200 acres of land include 192 parks, playgrounds, squares, malls, playing fields and game courts.

Suffolk County

The Mayor and City Council serve as the County Commissioners of Suffolk County. Suffolk County includes the cities of Boston, Chelsea and Revere and the town of Winthrop, although the budget for Suffolk County operations is included in the City budget. The Commonwealth has assumed all financial responsibility for the Suffolk County courts and responsibility for construction costs associated with the county penal institutions, including the construction of a new court mandated house of correction. Currently, the largest portion of the county budget is for maintenance and operation of the penal institutions.

THE ECONOMY

The City is the economic hub of both the Commonwealth and the New England region. It provides professional, business, financial, higher educational and medical services, as well as important transportation, communications, export, cultural and entertainment activities. As a government center, the City is the state capital and is host to several federal offices. In addition to providing some of these same industries and services, Boston's suburban cities and towns add manufacturing, high technology research and development, construction and wholesale distribution to the region's economy.

Boston is the twentieth largest city in the United States and the center of the seventh largest Consolidated Metropolitan Statistical Area (CMSA) in the nation. With a population of 574,283 and 612,563 jobs in 1990, as reported by the U.S. Department of Commerce, Bureau of the Census (the "Bureau of the Census") and the Massachusetts Department of Employment and Training, respectively, the City's high ratio of jobs to population indicates that the City provides a direct source of employment and income for an area which extends beyond its borders.

After exceeding many measures of economic growth nationwide during the 1982 through 1988 period, Boston experienced an economic downturn beginning in 1989. The current year, 1991, is the third year of a regional downturn in the Northeast. Within New England and Massachusetts, both metropolitan Boston and the City have seen job losses, rising unemployment, income stagnation, and subsequent real estate market weaknesses in commercial and residential property. Most economic indicators in Boston were weaker in 1990 than in 1989.

Statistical data cited in this section relating to population, employment and income are derived primarily from four separate sources. The Bureau of the Census publishes information about population, housing and the economy; 1990 data are the latest available. The population counts set forth in the 1990 Census are subject to possible correction. The United States Department of Commerce is considering whether to correct the counts and will publish corrected counts, if any, not later than July 15, 1991.

The U.S. Bureau of Labor Statistics publishes data and reports about the workforce and related subjects including unemployment rates, area wages, and cost-of-living adjustments. The most recent annual data are for 1990 for all areas. The most recent monthly data for the nation are for April, 1991 and for the City, March, 1991.

The U.S. Bureau of Economic Analysis publishes quarterly and annual statistics on income and employment. The most recent annual figures are from the April, 1991 revised series for Suffolk County, Metropolitan Counties, Massachusetts, and the nation. The most recent quarterly data were published in January, 1991, with information for third quarter 1990 for Massachusetts, New England and the nation.

The City of Boston and Boston Redevelopment Authority prepare reports and compile data on the population and economy of the City and its neighborhoods. A Household Survey last conducted by the Center for Survey Research of the University of Massachusetts at Boston in 1985 provides data on the population and housing characteristics of Boston residents. The Boston Redevelopment Authority also provides data and trends from various local, regional, state and national sources on such topics as employment and occupational data, large employers, city schools, universities and colleges, medical institutions, tourism and lodging, transportation, office and industrial markets, housing, building activity and urban redevelopment and infrastructure projects.

Economic information cited herein is updated regularly subject to availability. Such statistical data are not purported to be accurate for an indefinite length of time. The data are presented here as of the time indicated or in the source references and are subject to later revision at future time periods when more recent information becomes available.

New England, Massachusetts and Metro Boston Economies

New England comprises a six-state region which has a combined population of 13.0 million persons and over 8.1 million jobs according to 1991 Bureau of Economic Analysis data. For most of the 1980s, the rate of growth in total personal income, per capita income and population for New England was higher than the national average. Beginning in 1988, this trend reversed as the New England economy began to slow down. Total personal income grew at an annual average rate of 8.7% over the 1985 through 1989 period, above the 7.1% national rate. Employment in New England grew at a 2.4% annual rate between 1985 and 1989, below the national rate of 2.5%. During the period from September, 1989 through September, 1990, however, the annual employment growth rate for New England was 3.3%, compared to 6.3% for the nation.

The Massachusetts economy, with 5.9 million people and 3.8 million jobs, has also shown a slowing pattern of growth since 1987. Total personal income grew at an 8.5% annual rate from 1985 through 1989. In the most recent period for which data is available, from the third quarter 1989 through the third quarter 1990, state personal income growth declined to 2.6%, below the 6.3% national average. The state gained nearly 293,000 jobs in the three-year period of 1985-1988, an average annual growth rate of 2.7%. The number of jobs has declined since 1988 as mini-computer, defense and financial firms have been consolidating.

Metropolitan Boston, an area of 3.7 million people and 2.6 million jobs, has shown economic trends similar to those for the state. The rate of growth of total personal income, at 8.3% annually from 1985-1989, was above the 7.1% national rate. A total of 169,000 jobs were created in the five-year period of 1985-1989. Preliminary data suggest that the job losses occurring in 1989 were also followed by losses in 1990.

**Population, Income and Employment
1985-1989**

	1985	1986	1987	1988	1989
United States					
Total Personal Income (\$ 000)	3,317,545,000	3,519,364,000	3,754,577,000	4,058,181,000	4,367,401,000
Per Capita Income (\$) ...	13,899	14,597	15,425	16,510	17,592
Population (000)	238,698	241,104	243,416	245,803	248,258
Employment (000)	123,176	125,592	129,006	132,906	136,075
New England					
Total Personal Income (\$ 000)	201,985,582	218,577,264	239,480,802	263,581,944	281,781,405
Per Capita Income (\$) ...	15,958	17,155	18,646	20,332	21,601
Population (000)	12,657	12,741	12,843	12,964	13,045
Employment (000)	7,372	7,608	7,879	8,092	8,120
Massachusetts					
Total Personal Income (\$ 000)	94,956,954	102,800,096	112,127,482	123,446,689	131,472,637
Per Capita Income (\$) ...	16,317	17,618	19,148	20,960	22,236
Population (000)	5,820	5,835	5,856	5,890	5,913
Employment (000)	3,494	3,586	3,690	3,787	3,776
Metropolitan Boston (1)					
Total Personal Income (\$ 000)	64,538,722	69,672,173	75,784,340	83,508,431	88,889,029
Per Capita Income (\$) ...	17,391	18,679	20,330	22,354	23,746
Population (000)	3,711	3,730	3,728	3,736	3,743
Employment (000)	2,423	2,478	2,543	2,603	2,592


(1) This metropolitan area, the New England Counties Metropolitan Area ("NECMA"), is larger than the CMSA. It includes five counties in Massachusetts and one county in New Hampshire.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, April 1991.

Employment Structure, Employment Trends and Occupational Changes

Between 1976 and 1990, City employment continued to shift from traditional labor intensive manufacturing jobs to technology and service jobs, as shown in the table, "City of Boston Employment, 1976-1990," included in this section. Over the past five years, the City's service industries, including transportation, communication, public utilities, finance, insurance, business services and professional services, expanded their share of the City's total employment from 60% in 1986 to 62% in 1990, while the share of total employment in manufacturing and trade declined from 6% to 5% and from 15% to 13%, respectively. The emergence of high technology, along with finance, business and professional services, higher education and medicine has made the New England, Massachusetts and Boston economies more diversified.

Total employment in the City decreased by 6,217 between 1986 and 1990, as the growth of 20,819 jobs from 1986 through 1988 was offset by the loss of 27,036 jobs from 1988 through 1990. (Data for 1990 was derived from first and second quarter 1990 data compared to such quarters for 1989.) The two-year loss of jobs is most evident in construction, wholesale trade, finance, insurance, real estate and professional services, while gains are most evident in the hotel, cultural institutions, health care, education and social services industries. However, the job decline in the City is less severe than that for the entire Metropolitan Boston area. The City believes the difference can be explained by the greater reliance on the defense and computer industries as sources of jobs in cities and towns outside of Boston.



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City of Boston Employment, 1976-1990
Selected Years by Industry

<u>Industry</u>	<u>1976</u>	<u>1980</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
Fishing, Mining	1,051	925	1,231	1,236	1,327	1,396	1,298	1,173
Construction	15,053	11,765	13,648	14,603	15,655	15,845	14,906	12,321
Manufacturing	53,779	52,646	42,800	39,639	37,664	34,817	33,192	32,312
Transportation/Communication/Public Utilities	36,232	38,740	37,831	36,308	36,574	37,562	35,728	35,708
Wholesale Trade	31,928	28,739	25,474	26,259	25,730	23,499	22,330	19,716
Retail Trade	58,958	59,799	64,449	64,814	63,564	62,293	62,573	61,495
Finance/Insurance/Real Estate	66,077	73,818	86,260	90,103	95,331	95,972	89,083	85,395
Banking	18,703	20,552	26,336	27,883	27,371	27,731	25,905	23,483
Securities	6,812	8,157	12,132	14,456	18,729	19,539	19,986	21,227
Insurance	32,731	35,167	34,206	33,310	32,494	31,160	29,334	27,603
Real Estate and Other	7,831	9,942	13,586	14,454	16,737	17,543	13,859	13,082
Services	170,704	205,066	238,403	245,648	252,250	260,252	262,335	256,909
Hotel	7,085	6,517	10,816	10,904	11,782	12,301	13,221	13,103
Health	57,524	65,211	69,515	70,975	72,209	74,537	76,169	76,523
Educational	21,185	26,295	29,235	29,352	29,449	30,316	30,646	30,815
Cultural	6,400	6,194	6,622	7,654	7,724	9,400	10,802	11,058
Social and Nonprofit	17,533	19,925	21,608	22,002	21,426	22,695	23,101	23,570
Business and Professional	49,774	70,035	87,722	91,860	96,900	98,190	95,692	89,912
Personal and Repair	11,203	10,889	12,885	12,901	12,759	12,812	12,704	11,927
Government	88,730	98,115	96,889	100,170	104,559	107,963	106,746	107,534
Total	522,512	569,613	606,985	618,780	632,652	639,599	628,191	612,563

Source: 1976-1988 figures are based on U.S. Bureau of Economic Analysis Series for Suffolk County (April 1990 Revised Series ("BEA Series")), pro-rated to Boston geography. 1989 data are based on Massachusetts Department of Employment and Training data adjusted to BEA Series. Data for 1990 was derived from first and second quarter 1990 data compared to that for 1989. Boston employment data from the Massachusetts Department of Employment and Training was adjusted to the BEA equivalent series.

In 1985, 62% of City residents were white collar workers, 18% were service workers and 20% were blue collar workers as compared to 60% white collar workers in 1980, 18% service workers and 22% blue collar workers. As the table below, "Occupational Change in the City's Resident Labor Force" shows, this trend among City residents away from blue collar occupations and toward white collar and service occupations has continued since 1960.

Occupational Change in the City's Resident Labor Force

	<u>1960</u>		<u>1970</u>		<u>1980</u>		<u>1985</u>	
	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
White Collar	126,471	44%	146,657	55%	154,456	60%	177,940	62%
Professional & Technical	33,476	12	44,894	17	51,979	20	68,880	24
Managerial	15,604	5	15,035	6	25,238	10	31,570	11
Clerical & Administrative	58,990	21	71,655	27	58,451	23	57,400	20
Sales	18,401	6	15,073	6	18,788	7	20,090	7
Blue Collar	96,576	34	75,160	28	54,452	22	57,400	20
Craftsmen	32,398	11	27,157	10	19,772	8	22,960	8
Operatives	52,175	18	36,695	14	24,825	10	28,700	10
Laborers & Farm	12,003	4	11,308	4	9,855	4	5,740	2
Service	38,034	13	44,688	17	47,109	18	51,660	18
Not Reported	27,115	9	—	—	—	—	—	—
Total	288,196	100%	266,505	100%	256,017	100%	287,000	100%

Source: U.S. Department of Commerce, Bureau of the Census — 1960, 1970, 1980, Household Survey, 1985, conducted by the Center for Survey Research of the University of Massachusetts-Boston. 1990 Census data on the labor force is not yet available.

Unemployment

Unemployment in the City increased from a low of 3.2% in 1987 to 5.5% in 1990. March, 1991 numbers show a further increase to 9.2%. Unemployment rates for Massachusetts and the New England region exceeded the national average in 1990, the first time in more than a decade. The City's average annual unemployment rate remained below the national rate through 1989 and equalled the national rate in 1990. March, 1991 data show the Boston unemployment rate at 9.2% above the national average of 7.1% but below the Massachusetts rate of 10.3%. As of March, 1991, 27,465 Boston residents were unemployed. Massachusetts unemployment fell to 8.3% in April, 1991 (figures for the City are not yet available). A survey of City households conducted in spring, 1985 reported a minority unemployment rate at double the City average and a youth unemployment rate at triple the average for the City, a pattern experienced by many of the country's urban centers.

Annual Unemployment Rates

	1970	1975	1980	1982	1985	1986	1987	1988	1989	1990	March 1990(1)	March 1991(1)
City	4.9%	12.8%	6.1%	9.1%	4.6%	4.4%	3.2%	3.3%	3.9%	5.5%	5.1%	9.2%
Boston PMSA(2)	4.0	10.5	5.0	6.7	3.4	3.3	2.7	2.8	3.4	5.1	4.9	8.6
Massachusetts	4.6	11.2	5.6	7.9	3.9	3.8	3.2	3.3	4.0	6.0	5.9	10.3
New England	4.9	10.9	5.9	7.8	4.4	3.9	3.3	3.1	3.9	5.7	5.8	8.5
United States	4.9	8.5	7.1	9.7	7.2	7.0	6.2	5.5	5.3	5.5	5.4	7.1

(1) Monthly rates are not seasonally adjusted.

(2) Primary Metropolitan Statistical Area.

Sources: U.S. Bureau of Labor Statistics; Massachusetts Department of Employment and Training.

Large Employers

As of the end of 1989, the eleven largest private sector employers in the City, combined, accounted for approximately 68,000 jobs, or 11% of total City employment.

List of Largest Private Employers in the City, 1989 (1) (Companies with greater than 3,500 employees)

Rank	Employer	Rank	Employer
1	Massachusetts General Hospital	7	Bank of New England Corporation (2)
2	John Hancock Mutual Life Insurance	8	Beth Israel Hospital
3	Bank of Boston Corporation	9	FMR Corp. (Fidelity Investments)
4	Northeastern University	10	New England Medical Center
5	Boston University	11	Children's Hospital
6	Brigham and Women's Hospital		

(1) Arranged by number of employees

(2) Bank holding company currently in bankruptcy proceedings, the principal banking subsidiary of which was succeeded in 1990 by New Bank of New England, a federally chartered bridge bank to be acquired in 1991 by Fleet Norstar Financial Group, Inc.

Source: Boston Redevelopment Authority, 1990

In addition, the public sector has large numbers of employees in the City. Certain state government offices, federal regional offices, U.S. Postal Service facilities and state chartered authorities and commissions and the City's local government are all located within the City. As a result, there were over 107,000 government workers in the City in 1990. Reduction in the Commonwealth's work force is likely in light of the Commonwealth's current financial condition.

Labor Force and Education

According to U.S. Department of Commerce, Bureau of the Census numbers, the City's resident labor force declined during the 1970s but increased during the 1980s. In contrast to the 12% decline in population between 1970 and 1980, the City's labor force (those residents aged 16 and over available to work) declined by only 4%. The difference in these rates of decline was attributable to the fact that the decline in population was concentrated in the under-16 age group. Since 1980, both the increasing population and the increasing age of that population have resulted in a larger labor force. By 1990, the City's population had increased by 2% over 1980, while the City's labor force increased by 9.8% in the same period, according to preliminary data from the Commonwealth's Department of Employment and Training.

General improvement in educational attainment of residents aged 25 and over continued throughout the 1970-1985 period. The percentage of this population that had completed four or more years of college more than doubled during this period from 10% to 22%. This change, in part, reflected the trend for an increasing percentage of graduates of the City school system to seek higher education. This percentage has increased steadily from 25% in 1960 to 36% in 1970, 44% in 1977, 54% in 1982 and 67% in 1988, based on Boston School Department figures. Improving educational attainment levels and shifting occupational patterns suggest a concurrent transformation of the City's work force as the City's economy has moved to a service-dominated base.

The problem of high school dropouts continues for City public schools, but some improvement is noted. Based on Boston School Department figures, 33% of the students who entered high school in the fall of 1985 had not graduated by the end of the 1990 school year, as compared to the 39.7% of the students entering in the fall of 1982 who had not graduated by the end of the 1987 school year.

The City supports entry-level job training programs, including the following: English-as-a-Second Language training, pre-vocational and vocational training, adult literacy training, and support counseling. In addition, linkage contributions paid into the Neighborhood Jobs Trust provide a significant supplemental source of funding for job training programs administered by non-profit community organizations. For a full discussion of the City's linkage program see "Housing Stock, Housing Values, and the Linkage Program."

Years of School Completed for Boston Residents Age 25 and Over, 1970-1985

	1970		1980		1985	
	Persons	Percent	Persons	Percent	Persons	Percent
0-8 years	91,582	26.1%	54,932	16.6%	35,380	10.0%
1-3 years of high school	71,511	20.4	49,407	14.9	56,608	16.0
High school graduate	120,350	34.3	115,787	35.0	116,754	33.0
1-3 years college	30,876	8.8	43,451	13.2	67,222	19.0
4 or more years of college	36,245	10.4	67,073	20.3	77,836	22.0
Total	350,564	100.0	330,650	100.0	353,800	100.0

Source: U.S. Department of Commerce, Bureau of the Census; 1970 and 1980. Household Survey, 1985.
Data for 1990 are unavailable.

Income, Wages, and Cost-of-Living

Per capita personal income for Suffolk County was \$21,676 in 1989, 23.2% above national per capita personal income of \$17,592, according to the U.S. Bureau of Economic Analysis. The City is wholly included within Suffolk County and comprises 87% of Suffolk County's population and 96% of its employment. An historical summary of per capita income shows that, from 1980 to 1989, the City's per capita income grew at a rate greater than that for the nation, a notable improvement compared to the 1970-1980 period when it rose at a slower rate. The City's per capita income also grew at a faster rate than the per capita income growth rates for New England, Massachusetts and Metropolitan Boston between 1982 and 1989. The City's per

capita income remains below the per capita income for Massachusetts and Metropolitan Boston. The City's median household income based on the U.S. Census data rose from \$7,835 in 1970, to \$12,530 in 1980 and then, based on the City's Household Survey, to \$19,250 in 1985.

Per Capita Personal Income Comparison, 1970-1989
(in current year dollars not adjusted for inflation)

	<u>United States</u>	<u>New England</u>	<u>Massachusetts</u>	<u>Metro Boston(1)</u>	<u>Suffolk County(2)</u>
1970.....	\$ 4,051	\$ 4,445	\$ 4,514	\$ 4,782	\$ 4,691
1980.....	9,919	10,542	10,612	11,133	10,359
1982.....	11,482	12,572	12,755	13,493	12,161
1985.....	13,899	15,958	16,317	17,391	15,584
1986.....	14,597	17,155	17,619	18,679	16,666
1987.....	15,425	18,646	19,148	20,330	18,129
1988.....	16,510	20,332	20,960	22,354	20,112
1989.....	17,592	21,601	22,236	23,746	21,676

(1) Metropolitan Boston denotes the New England County Metropolitan Area (NECMA), which is a larger size than the Primary Metropolitan Statistical Area (PMSA).

(2) The City constitutes about 87% of Suffolk County population.

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, August 1990 and April 1991 Revised Series.

The April, 1990 report from the U.S. Bureau of Economic Analysis indicates that average annual wages earned, by place of work, have been consistently higher in the City than in the Boston metropolitan area and the Commonwealth. This contradicts a widely held notion that the City, with its relative concentration of employment in a broad range of service industries, would be a lower wage area. Except for manufacturing and wholesale trade, wages in the City were higher for all major industry types. For all industries combined, the City's (Suffolk County) average wage level (\$28,856) was 10% greater than that in the metropolitan area (\$26,240) and 17.5% greater than the average state wage level (\$24,560). These figures indicate that for most industries the City has a higher share of the more sophisticated and complex jobs.

During the years 1980-1990, based on the U.S. Bureau of Labor Statistics Consumer Price Index, the cost of living rose at an annual average rate of 5.3% in the Boston metropolitan area, while the national index increased at a 4.7% annual rate. From March 1990 to March 1991, the cost of living in the Boston area rose 5.6%, compared to 4.9% for the nation.

Population

The U.S. Census preliminary estimate for 1990 reports the City's population as 574,283, a 2% increase over 1980 and the first increase since the 1940s. The Bureau of the Census estimated the 1986 city population at 573,600. The Bureau of the Census reported an increase in the number of households from 217,622 in 1970, to 218,457 in 1980 and to 228,464 in 1990, with a reduction of household size from 2.8 to 2.4 persons per household from 1970 to 1990.

Population of the State, Boston Metropolitan Area, and City 1970, 1980, and 1990

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>Change 1970-1980</u>	<u>Percent Change 1970- 1980</u>	<u>Change 1980- 1990</u>	<u>Percent Change 1980- 1990</u>
Massachusetts	5,689,170	5,737,037	6,016,425	47,867	0.8%	279,388	4.9%
Metropolitan Boston	2,899,101	2,763,257	2,794,280(1)	-135,744	-4.7%	31,023(1)	1.1%(1)
City of Boston	641,071	562,994	574,283	-78,077	-12.2%	11,289	2.0%

(1) Because of a metropolitan area geography change from SMSA to PMSA, the 1980-1990 change is based on a PMSA population of 2,805,911 in 1980. The 1970-1980 change is based on the previous SMSA.

Source: U.S. Department of Commerce Bureau of the Census.

Higher Educational and Medical Institutions

The City's educational and medical institutions are an important component of its economy, providing employment opportunities for residents of the City and its metropolitan area. In addition, expenditures by the institutions' students, patients and visitors are important to the City's trade and service sectors. Thirty one in-patient hospitals are located within the City, including Massachusetts General Hospital, Brigham and Women's Hospital, Beth Israel Hospital, Children's Hospital, New England Deaconess Hospital, Boston City Hospital and the New England Medical Center. A special Boston Redevelopment Authority survey showed that as of December, 1987, these hospitals, together with the three medical clinics and a chronic care facility also located in the City, provided 47,862 full-time jobs and had an annual payroll of over \$1 billion. In 1990, there were an estimated 76,523 persons employed in health services in Boston, based on U.S. Bureau of Economic Analysis data. Health services represent 1 out of every 8 jobs within Boston. Growth in the health services sector has been stable, despite varying economic conditions. Furthermore, the research component of hospital activities continues to expand.

As of 1990, of the nation's top 10 hospitals conducting National Institute of Health-funded research, 6 are located in Boston. The City is also the home of the medical and dental schools of Harvard, Tufts and Boston Universities. In addition, the City has 25 neighborhood health clinics open to the general public (not including health maintenance organizations and membership clinics), of which six are affiliated with Boston City Hospital.

The City is currently undertaking a major capital improvement project at Boston City Hospital, designed to make the hospital a more modern, efficient and competitive facility. The project involves construction of a new eight-level inpatient facility, demolition of obsolete buildings and renovation and upgrading of other buildings. Construction began in 1990 and is expected to continue until 1994. The hospital will remain fully operational during construction, and no change in the services provided by the hospital will occur.

As of 1989, the New England Board of Higher Education reports 68 colleges and universities in the Boston metropolitan area, at which approximately 250,000 students were enrolled. The City's 30 universities, colleges, and community colleges had a combined enrollment in 1989 of approximately 120,000, a slight decline from 1987. Based on total graduate and undergraduate enrollment, Northeastern University, which is located in the City, is one of the largest private universities in the nation.

Educational institutions are a source of new and exceptionally skilled professionals for the City's labor force. For example, according to a report prepared by the Bank of Boston, although only 10% of Massachusetts Institute of Technology enrollees are from the Boston area, 24% remain in the area after graduation.

Tourism

The City has experienced a healthy growth in visitors since 1976 with some periods of decline such as in 1990. According to the Greater Boston Convention and Visitors Bureau, an estimated 8.5 million people visited greater Boston in 1990, a decline of 3.4% from the 8.8 million visitors in 1988. These visitors, measured as tourists, business travelers and convention and meeting delegates who travelled at least 100 miles to get to the City, had an estimated total economic impact upon greater Boston of \$6.5 billion in hotel accommodations, meals, entertainment, shopping, transportation, and other services during 1988. In 1985, the last year that tourist data was compiled for the City exclusively, the statistics showed that 80% of all visitors to greater Boston also visited the City during their stay.

A growing component of total visitors to the City are convention delegates. In 1988, one million conventioners attended functions in the City, a gain of 5.3% from the 950,000 delegates in 1987, and a 51% increase from the 662,000 attendees in 1983. According to national figures from a 1987 edition of "Business Travel News," the City ranked as the twelfth busiest convention city in the nation in 1986. The completion of the enlarged and renovated John B. Hynes Veterans Memorial Convention Center (1988), together with

the World Trade Center (1986) and the Bayside Exposition Center (1985), gives the City three facilities with a combined capacity for over one million people. There were 335,578 visitors to the John B. Hynes Veterans Memorial Convention Center in 1990.

Transportation

The City is a major national and international air terminus, a seaport, and the center of New England's rail, truck and bus services. The City is served by three limited access interstate highways which connect it to the national highway system, including the Massachusetts Turnpike, which traverses the Commonwealth from the border of New York directly to downtown Boston.

Transportation planning includes both major highway and mass transit programs. Investment in public transportation was facilitated by federal transportation legislation that enabled the Massachusetts Bay Transportation Authority ("MBTA") to receive approximately \$3.5 billion between 1965 and 1988. In the 1980s, subway extensions on two lines, modernization of downtown stations and the purchase of new rail cars were completed.

The current MBTA Capital Program continues this initiative by including a variety of expansion and rehabilitation projects. The North Station Transportation Center Project includes the construction of a 1,400 car underground garage and a new commuter rail terminal, the relocation of the Green Line to an underground tunnel, and the creation of a Green Line and Orange Line superstation. Construction of this facility is being undertaken through a series of phased contracts. The South Station Transportation Center, Phase II of which will soon be underway, entails the construction of an intercity bus terminal and a 245-car parking garage above the commuter rail tracks.

Further commuter rail improvements are proceeding with the purchase of 289 new coaches, including 75 double decker coaches. The Old Colony Project is a major commuter rail restoration project along the South Shore area of metropolitan Boston. Construction of the Old Colony line is anticipated to begin upon completion of all environmental work. In addition, the MBTA anticipates modernizing all rapid transit stations on the Blue Line.

MBTA capital program projects are funded through the federal government (Urban Mass Transportation Administration) and MBTA bonds and certificates of participation. For a discussion of the City's obligation with respect to the MBTA, see "City Indebtedness—Indirect Debt."

The Massachusetts Port Authority ("Massport") was created by the state legislature to stimulate and support the Commonwealth's economy through development and management of the City's major air and sea transportation centers and the Tobin Memorial Bridge over the Mystic River. Massport is financially independent and the City is not responsible for any debt or other obligations incurred by Massport. Since Massport was formed in 1959, heavy use of Boston-Logan International Airport ("Logan Airport") and the Port of Boston has compelled significant expansion of both facilities. Massport spent approximately \$400 million from 1985 through 1989 on capital investments, operations and maintenance for the port, bridges, and Logan Airport. As of July 1990, Massport projected that it would spend an average of approximately \$90 million per year during fiscal years 1990 through 1994 for ongoing capital improvements of Hanscom Field, Logan Airport, Tobin Memorial Bridge and for improvements and major maintenance at various Massport properties.

The Port of Boston serves the six-state New England region and beyond as a natural deep-water berth. Port activity includes handling bulk and general cargo, providing ship repair supply services, offering customs and international trading services, providing storage facilities and other commercial maritime services. In 1989, the Port of Boston handled over 21.1 million tons of general cargo (primarily containerized goods) and bulk cargo (commodities and raw materials) worth \$7.4 billion through three public container terminals and through 23 private terminals. Massport has expended more than \$210 million from 1980-1989 and plans to spend more than \$45 million on maritime development and capital improvements over the years 1990-1992.

Logan Airport is served by 34 domestic and international airlines. Air travel passengers arriving at and departing from Logan Airport increased at an annual rate of 2.5% between 1985 and 1989. In 1990 Logan Airport served a total of 22.9 million passengers, an increase of 2.7% in ridership from 1989. Logan Airport, located just three miles from downtown Boston, was the tenth busiest airport in the United States in 1989. According to the Airport Operators Council International, Logan Airport ranked tenth in the nation in total air cargo volume in 1989. Massport has identified \$1.8 billion in capital needs during the 1990's. Most Massport facilities are located in the City of Boston and include Logan Airport's \$1.5 billion in capital spending as well as the Tobin Memorial Bridge and the port properties' \$200 million in capital spending.

Construction Activity

During the last two decades the public and private sectors carried out a major expansion of capital construction and investment activity that was instrumental in the transformation of the City's economic base. Private commercial development investment has added over 16 million square feet of office space to the physical inventory of the City since 1975, five times the amount built in the previous 35 years.

The following table sets forth the estimated construction activity in the City of Boston from 1982-1990. Construction activity has been estimated by tracking building permit revenues received by the City of Boston, calculating the estimated value of the development cost and adjusting the data for inflation. During the three-year period of fiscal 1986, fiscal 1987 and fiscal 1988, the estimate of total construction activity was \$5.9 billion, or almost \$2 billion annually. Over the nine-year period, 1982 through 1990, the average annual estimated construction activity adjusted for inflation was \$1.3 billion. The table below indicates a decline of approximately \$500,000 in estimated construction activity in each of the last two years. In fiscal year 1990, building permit revenues were below the annual average for the 1982-1990 period by \$332 million.

**Boston Building Permit Revenues and
Estimated Construction Activity
Fiscal Years 1982-1990**

<u>Fiscal Year</u>	<u>Building Permit Revenues (1)</u>	<u>Estimated Construction Activity (2)</u>	<u>Estimated Construction Activity Adjusted For Inflation (3)</u>
1982.....	\$ 3,305,857	\$ 388,924,353	\$ 560,908,929
1983.....	\$ 5,196,160	\$ 611,312,941	\$ 842,335,968
1984.....	\$ 5,594,683	\$ 658,198,000	\$ 875,023,734
1985.....	\$ 7,435,576	\$ 874,773,647	\$ 1,117,081,840
1986.....	\$14,108,134	\$1,659,780,471	\$ 2,006,490,169
1987.....	\$13,504,134	\$1,588,721,647	\$ 1,885,393,927
1988.....	\$14,431,173	\$1,697,785,059	\$ 1,922,554,271
1989.....	\$11,423,439	\$1,343,934,000	\$ 1,416,860,651
1990.....	\$ 8,119,487	\$ 955,233,793	\$ 955,233,793
Total	\$83,118,643	\$9,778,663,911	\$11,581,883,282
Annual Average 1982-1990	\$ 9,235,405	\$1,086,518,212	\$ 1,286,875,920

(1) Building permit revenues in current dollars.

(2) Construction activity estimated by dividing permit revenues by .85%, which is the midpoint between permit fees calculated at .7% of the first \$100,000 and 1% for the remainder.

(3) Construction activity adjusted for inflation using CPI-U index from Bureau of Labor Statistics (Base 1982-84 = 100) to 1990 constant dollars.

Source: City of Boston, Auditing Department; Boston Redevelopment Authority, Policy Development and Research Department.

Three major public infrastructure projects are planned to be undertaken in the 1990s: the Central Artery reconstruction, the Third Harbor Tunnel, and the harbor clean-up project. See "Large Public Sector Projects"

below. The Central Artery and Third Harbor Tunnel projects are estimated by the Massachusetts Department of Public Works to generate an average of 3,700 construction jobs per year during the peak construction period. The harbor clean-up project is estimated by the Boston Redevelopment Authority to cost \$4.1 billion (at 1990 prices) and create an average of 1,730 construction jobs per year.

In February, 1991, the United States District Court imposed a moratorium on sewer hook-ups in 43 Massachusetts municipalities, including Boston, affecting any commercial, industrial, or residential project or expansion generating more than 2000 gallons of sewage per day. The ban was lifted by the Court on May 21, 1991 and had no material impact on the City's current or future tax levy.

Office Market and New Development

The City currently has 48 million square feet of office space of which 35 million is Class A, and 13 million is Class B or C. From 1977 through 1983 local office occupancy surveys reported a consistent decline in vacancy rates to 2.0% in 1983. With the addition of over 3 million square feet of office space in 1984, the vacancy rate rose to 11.5% by the end of that year, although net absorption of over 2 million square feet was the highest in a decade. In 1986 and 1987 demand of over 2 million square feet annually outpaced office completions, sending vacancy rates back down to 5.2% by the end of 1987. During 1988 completions of over 3 million square feet of new and renovated Class A office space and a decline in absorption to 1.0 million square feet brought the vacancy rate for such space up to 12.0%. In 1989, office market absorption at 796,000 square feet, and the addition of about 718,000 square feet, reduced vacancy rates to 11.5%. Vacancy rates in the fourth quarter of 1990 were 14.6% with an annual absorption of 583,000 square feet, when 1.9 million square feet of new office space was added.

New office construction scheduled to be completed during 1991 is expected to add 908,872 square feet of office space in two buildings. The amount which will be absorbed in 1991 is not yet known but it is expected to be less than the new supply added.

Even though Boston's downtown market vacancy rate is the highest that it has been since the middle of the 1970s, it remains below the national average. Also, the higher vacancy rate has resulted in lower rents, making office rent more affordable for tenants. More space was leased during the last six months of 1990 than during the first six months of that year.

Comparative Office Vacancy Rates 24 Largest Downtown Office Markets, Year-End 1990

Rank	City	Vacancy Rate	Rank	City	Vacancy Rate
1	Washington D.C.	10.3%	13	Oakland	16.8%
2	San Francisco	11.5	14	San Jose	17.2
3	Philadelphia	12.8	15	Cleveland	17.7
4	San Diego	13.1	16	Houston	17.7
5	Seattle	13.6	17	Atlanta	17.9
6	Manhattan, Midtown	13.7	18	Hartford	18.6
7	Detroit	14.7	19	Manhattan, Downtown	18.7
8	Chicago	15.1	20	Fort Worth/Arlington	20.2
9	Minneapolis-St. Paul	15.3	21	St. Louis	21.1
10	Los Angeles	15.8	22	Denver	21.5
11	Baltimore	16.6	23	Tampa	22.5
12	Boston	16.7	24	Dallas	24.7

National Average(1) 17.1%

(1) National Average is based on 45 U.S. cities from the Coldwell Banker Commercial Office Vacancy Index.
Source: Coldwell Banker Commercial Office Vacancy Index, December 31, 1990.

Retail Market

The City is within the ninth largest metropolitan retail market in the nation as of 1990. Of the approximately 10 million square feet of retail space in the City, approximately six million square feet are located in downtown Boston and Back Bay. Approximately 3,800 retail stores are located in the City. According to the U.S. Census of Retail Trade, retail sales in the Boston Metropolitan area decreased by 1.6% between 1989 and 1990, falling to \$33.5 billion in 1989 from \$34.1 billion in 1988.

Boston Metropolitan Area Retail Sales, 1985-1990 (In billions, not adjusted for inflation)

<u>Fiscal Year</u>	<u>Amount</u>
1990	\$33.5
1989	34.1
1988	33.4
1987	31.1
1986	29.9
1985	28.1

Industrial Market and Recent Development

As of year-end 1990, according to Spaulding & Slye Realtors, 16.3 million square feet of industrial space was located in the City. The vacancy rate was 31.8%, with a little over 5 million square feet unoccupied. The average rent was estimated to be approximately \$4.00 per square foot. In addition, there were 3.8 million square feet of industrial research and development space in Boston, which was 19.9% vacant with 758 thousand square feet available. The average rent was estimated to be \$10.04 per square foot.

According to information from the Economic Development and Industrial Corporation of Boston, 5.0 million square feet were acquired and/or rehabilitated in the City for industrial use from 1983 through 1989. Among these projects were the multi-million dollar expansions by Teradyne, Inc. and H. P. Hood Inc., the Economic Development and Industrial Corporation's new Industrial Center at the former Boston Army Base and the Marine Industrial Park, Phase One of the Massachusetts Technology Center by Massport in East Boston, renovation of the former Schrafft's factory in Charlestown for high-technology industry, a new building by Wang Labs in downtown Boston, and private investments in and rehabilitation for industrial use of the Stonybrook Commerce Center in Jamaica Plain, the Howden Sirocco plant in Hyde Park, and the Charlestown Marine Park (formerly Amstar Sugar Refinery) in Charlestown.

Hotel Market

From 1980 through 1989, fourteen hotel projects, including eleven new hotels and three additions to existing hotels, added 4,885 new rooms to the City's hotel stock. With these new hotels, the number of hotel rooms in the City has risen from 6,907 in 1980 to 11,792 by 1990, an increase of 71%. Occupancy rates rose steadily from a low of 64% in 1975 to a peak of 77% in 1979. From 1980 through 1989 annual occupancy rates were somewhat higher as many new rooms were completed, while total room sales and average room rates continued to rise. In 1990, the occupancy rate reached 73.8% which ranked Boston third among hotel markets in large American cities, behind Honolulu and Orlando, as measured by occupancy rates. For 1990, the Boston and Cambridge hotel occupancy rate was 73.8%, compared to 71.6% for 1989; average daily room rates increased 3% for such period. This rate for 1990 compared favorably to the 65.0% national rate. Currently, several new hotels have been proposed but no completions are scheduled through 1991.

Urban Redevelopment

While the federal urban renewal program was phased out, in its place the City has received Community Development Block Grants (CDBG) averaging \$28.3 million per year in fiscal years 1976-1980, with declining

amounts through fiscal 1988. The fiscal 1991 grant was \$17.2 million. CDBG funds are used to support housing, commercial development and social service programs in City neighborhoods.

The City also benefited from the federal Urban Development Action Grant (UDAG) program, receiving approximately \$74 million in UDAG funds for projects from 1978 through 1986; the program has now been phased out. Approximately \$50 million of such funds constitute loans that are repaid into the Neighborhood Development Fund, which is a revolving loan fund consisting of repayments on UDAG loans. Such repayments are used for neighborhood commercial development and affordable housing production.

Housing Stock, Housing Values, and the Linkage Program

In April 1990, the City's total housing stock consisted of 251,000 units. From 1980 through 1990, over 9,500 net new housing units were added to the City supply. The composition of housing is changing. Private rental apartments declined between 1980 and 1990, mainly due to condominium conversions. Condominium units increased from about 4,500 in 1980 to over 33,000 in 1990 or 13% of total stock. Units in 1-4 family homes increased between 1980 and 1990, now constituting over 50% of the City's housing stock. More than 80% of these structures are owner-occupied. Despite the loss of rental units since 1980, largely as a result of condominium conversions, publicly-assisted housing production has generated over 5,000 net new units. In 1990, public and publicly-assisted housing constituted 17% of the City's housing stock.

Data on market housing values exists for City homes through mid-1987 and for metro Boston homes, through fourth quarter 1990. Housing values rose through mid-1988 and remained almost level through mid-1989. Market appreciation of single family homes in the City rose 37% in 1985, 26% in 1986, and 11% in the first five months of 1987. An analysis of sales transactions and assessed value records indicates a mean value of \$156,731 for single family homes in the City in the first half of 1987. The National Association of Realtors reported a median sale value of \$181,500 for homes in the Boston metropolitan area for 1989 and \$173,800 for 1990. Median gross monthly rents increased to \$400 by 1985 according to the Household Survey, while advertised rents reached above \$700 by 1987. The City's gross housing vacancy rate in 1990 was 9%, with an estimated 5% net vacancy rate. The Greater Boston Real Estate Board reports that during the first 15 weeks of 1991, 75% more homes came under purchase and sale agreements in the Boston Metropolitan Area than during the same period of 1990.

The City implemented its development linkage program in December, 1983, in order to direct some of the benefits of downtown investment to the building of affordable housing in its neighborhoods. The zoning ordinance which established the program was adopted in December, 1983 and amended in February, 1986. Under the program, real estate developers seeking approval of large scale commercial developments are required to enter into agreements obligating them to make "linkage payments" in an aggregate amount of six dollars per square foot of construction over 100,000 square feet, of which \$1 goes to a job training fund and \$5 goes for housing purposes. Housing linkage payments are made to the Neighborhood Housing Trust and are due annually for a period of either seven or twelve years. The seven-member Neighborhood Housing Trust holds public hearings and, together with the Boston Redevelopment Authority, approves linkage grants to selected projects. As of March 31, 1991 developers of 50 commercial projects were committed to pay over \$96 million in housing linkage and \$12.6 million in job linkage over the next decade. Already, \$30.5 million of this money has been earmarked for 41 affordable housing projects in the City's neighborhoods for the construction or renovation of 3,100 housing units. Affordable housing units, those targeted to low and moderate income residents, comprise 85% of the total. In order to accelerate affordable housing production, the City entered into agreements with two insurance companies to advance funds for linkage commitments in the future. A \$7.4 million loan by Metropolitan Life Insurance Co. and a \$3.4 million loan by Prudential Insurance Co. have been made to the City to be repaid with future linkage contributions from ten commercial projects. The \$10.8 million of loans will help build 1,174 units of new housing for families of low to moderate incomes throughout the City. As of March 31, 1991, of the 1,174 units, 862 were complete, 214 were under construction and 98 had not yet been started.

Large Public Sector Projects

It is anticipated that over the next decade, several major public sector projects will be implemented in and around the Boston metropolitan area. The projects include the depression of the central artery, which is the key six-lane elevated interstate highway that carries traffic through the City, and the construction of a four-lane third harbor tunnel (together, the "Transportation Projects"). The Artery connects with the Sumner and Callahan Tunnels (each with 2 lanes) under Boston, which link downtown Boston with Logan Airport and points north. The Transportation Projects, which are intended to improve traffic flow within the City, are under the control of the Commonwealth. These Transportation Projects are currently in the design and engineering stages. Construction on these projects is scheduled to begin in 1991 and is estimated to cost over \$4.4 billion in 1987 dollars, which will be funded from federal and state sources. All of the federal funding has been authorized but has not yet been appropriated. It is expected that appropriations will be made annually as the work progresses, though this cannot be guaranteed.

Additionally, the Massachusetts Water Resources Authority ("MWRA"), an independent state authority, has taken preliminary steps towards the construction of one of the largest wastewater treatment facilities in the nation (the "Treatment Facility Project"). This project, which is being undertaken pursuant to a federal district court order, is scheduled for final completion in 1999 at a total cost of approximately \$4.1 billion (at 1990 prices). As of April 1991, the MWRA reports that more than \$1.2 billion of contracts have been awarded, providing 1500 jobs with 300 different private contractors. The project is intended to bring wastewater discharges into Boston Harbor into compliance with federal and state requirements, and will be funded through state and federal grants and MWRA revenue bonds. See "City Indebtedness—Related Authorities and Agencies—Boston Water and Sewer Commission".

The City is not directly responsible for the costs of any of these projects, although the City, as a major user of water and sewer systems, may bear some cost of the Treatment Facility Project indirectly through increased user fees. It is currently negotiating with the Commonwealth to receive mitigation payments for any City services (such as fire and police) which may be required to support the Transportation Projects. No such services are expected to be required for the Treatment Facility Project. The City does expect to have to sell to the Commonwealth certain of its revenue-generating parking facilities in connection with assembling the site required for the Transportation Projects. See "City Indebtedness—Debt Statement and Related Sources of Payment—Leased Parking Facility Revenues."

BUDGET PROCESS

The City's fiscal year is from July 1 to June 30. By state law, the Mayor must submit a budget to the City Council by the second Wednesday in April of each year for its review and approval. Proposed appropriations for all departments and operations of the City (except for the public schools for which the School Committee submits its own proposed budget) and certain operations of Suffolk County are prepared under the direction of the Mayor in the Office of Budget and Program Evaluation ("OBPE") of the Administrative Services Department. The superintendent of schools must submit a budget to the School Committee by the first Wednesday in February. The School Committee must approve a budget by the fourth Wednesday in March and forward this budget to the Mayor who may approve or reduce the total recommended budget. The Mayor then submits by the second Wednesday in May the school budget to the City Council for appropriation.

The City Council may reduce or reject any item in the Mayor's budget but, except upon the recommendation of the Mayor, may not increase or add an item. After submission of the budget and until the tax rate is officially determined, the Mayor may submit to the City Council such supplementary appropriation orders as are deemed necessary, including supplemental amounts for the School Department. The Mayor may also make supplemental appropriation requests after the tax rate has been set to the extent of available revenues.

